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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 02/03/06

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, February 2

NIHON KEIZAI (Page 2) (Full)
February 3, 2006

10:02

Handed at LDP headquarters a letter of endorsement to a candidate running in the Kyoto gubernatorial race, in the presence of Secretary General Takebe, Kyoto chapter chairman Ibuki and

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others.

10:09

Returned to Kantei.

11:30

Met with Cabinet Office special advisor Shimada.

13:31

Attended an Upper House Budget Committee session.

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16:57

Met at Kantei with Lower House member Takeshi Noda.

18:32

Attended the Omotesando Hills opening ceremony at Jingu-mae.

18:58

Attended a New Year meeting held at the Akasaka Prince Hotel by the LDP and a variety of organizations.

19:12

Returned to his residence.

4) Government official-led bid-rigging widespread: Arrested former DFAA councilor tells public prosecutors; General construction contractor executives interviewed

MAINICH (Top Play) (Excerpts)
February 3, 2006

Defense Facilities Administrative Agency (DFAA) officials, such as former technical councilor Mamoru Ikezawa (57), are now under arrest over the alleged obstruction of public open bidding by leading bid-rigging for projects sponsored by their agency. In this connection, it has been learned that the officials told public prosecutors during the investigation carried out by the special investigation unit of the Tokyo District Public Prosecutors Office that DFAA officials have engaged in bid-rigging in construction and civil engineering works carried out throughout the nation. Following this statement, the special investigation squad simultaneously interviewed executives and those in charge of the sales side at leading general construction contractors and offshore engineering companies that took part in bid-rigging sponsored by DFAA. Public prosecutors appear to be asking for interviews with broad-based persons involved in all projects sponsored by 11 defense facilities bureaus and their branch bureaus throughout the country.

It has already been found that DFAA officials led bid-rigging for three new building construction projects, including the Self-Defense Forces (SDF) Chuo Hospital (Setagawa Ward, Tokyo) and the SDF Ichigaya office (Defense Agency office in Shinjuku Ward) in late 2002. The average rate of successful tenders (rate of project costs to cost estimates) for 55 projects, including those three projects and other projects ordered in 2004, including the transfer of a runway from Iwakuni Air Station (Iwakuni, Yamaguchi Prefecture) and the construction of a quay at US Navy Sasebo Base (Sasebo, Nagasaki Prefecture) and the building of berthing facilities at Kure, reached a whopping 98.8%, deepening the suspicion that DFAA official-led bid-rigging has been widespread.

5) Former DFAA official admits involvement in bid rigging on Iwakuni base project

ASAHI (Top play) (Excerpts)
February 3, 2006

A former Defense Facilities Administration Agency (DFAA) technical councilor who later became a senior executive of a general contractor has admitted to the Tokyo District Public Prosecutors Office special investigative team that he had been involved in bid rigging on Iwakuni Air Station's runway offshore

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relocation project ordered by the DFAA in fiscal 2004, sources revealed yesterday. The former councilor is believed to have contacted general contractors on behalf of the DFAA and gave each company detailed instructions on lists of predetermined winners who would carry out civil engineering work. Determined to uncover the complete details of bureaucrat-involved bid rigging on DFAA-ordered projects, the special investigative team is closely investigating the agency's orders for major projects placed in fiscal 2004, including the Iwakuni base project.

The project to relocate the Iwakuni base's runway 1 kilometer further offshore for the safety of the residents near the base and reduce noise is the DFAA's largest project costing 240 billion yen. Following the revelation of shady order-awarding practices under the lead of former DFAA officials over the huge national project, investigators also searched yesterday Hazama Corp., Maeda Corp., Japan Industrial Land Development Co., and Homma Corp.

According to the sources, the former DFAA official, who served as the agency's construction department chief and technical councilor from the 1980s through the 1990s, presented general contractors with the lists of predetermined winners. The former official who later became an executive of a general contractor has admitted to investigators that he had led the bid rigging, the sources said.

The sources also said that the official had presented the construction industry with the lists of predetermined winners of civil engineering works related to the runway relocation project ordered by the DFAA in fiscal 2004 to make sure that the industry would follow his instructions. The lists discussed specifics, such as the composition of the joint venture (JV) and the allocation of works among the JV members.

Persons connected with general contractors have also admitted the existence of such a system, according to the sources.

6) DFAA-ordered Sasebo base project may also have been rigged; Orders won at 95-99% of estimates

YOMIURI (Page 1) (Excerpts)
February 3, 2006

Marine civil engineering companies, who have been searched by the Tokyo District Public Prosecutors Office special investigative team in connection with bid rigging on a project by the Defense Facilities Administration Agency (DFAA), are also strongly suspected to have conducted bid rigging on US Navy Sasebo Base quay construction work in Nagasaki Prefecture, sources revealed yesterday. The consortium (JV) that won the project offered prices 95-99% of the estimates. The suspicions surfaced following the revelation of another bid rigging case in connection with an airport relocation project at US Iwakuni Air Station. The special investigative team is closely investigating the Sasebo base project.

The Sasebo project requires the reclamation of 5.7 hectares of an area to build a 500-meter quay to accommodate large vessels. The project costs 20 billion yen, which is large in DFAA's standards. Work that began in fiscal 2003 is expected to be completed in six to seven years.

7) Government to explain Futenma alternative base flight routes

SANKEI (Page 5) (Full)
February 3, 2006

In connection with the planned relocation of US Marine Corps Futenma Air Station (in Ginowan, Okinawa Prefecture) to the coast of Camp Schwab (in Nago and other municipalities), the Defense Agency will give a detailed explanation possibly today to the Okinawa prefectural and Nago municipal governments about the flight routes of helicopters and other aircraft using the alternative facility. Hironori Kanazawa, who became Defense Policy Bureau Vice Director General on Jan. 30, is scheduled to visit Okinawa. During his stay in Okinawa, Kanazawa will meet with Nago mayor-elect Yoshikazu Shimabukuro for the first time.

Arrangements have been made in Japan-US working-level talks not to allow helicopters to fly over the residential area near Camp Schwab. Although fixed-wing liaison aircraft would fly closely over 10 houses, it would not require the state to take soundproofing measures.

8) USFJ realignment clouded over by referendum, bid rigging;
Local coordination difficult

YOMIURI (Page 4) (Full)
February 3, 2006

Dark clouds are beginning to gather over the future course of the planned realignment of US forces in Japan, negotiations over which the Japanese and US governments want to wind up in March. Meanwhile, the city of Iwakuni in Yamaguchi Prefecture has decided to hold a plebiscite on whether to accept a plan to relocate US carrier-borne fighter jets to the US Marine Corps' Iwakuni base in the city. The government, facing rough going in its coordination with local governments hosting US military bases, is now additionally tasked with building a local consensus. The Defense Facilities Administration Agency (DFAA) should be liaising with base-hosting localities, but the agency has been loaded down with its own bid-rigging scandal. As it stands, DFAA remains unable to give its all for the realignment issue.

Referring to Iwakuni city's planned referendum in a press conference yesterday evening, Chief Cabinet Secretary Abe stressed again that the government would release a final report in March on the US force realignment. "On the part of the government, I'd like to abstain from commenting on the matter," Abe said, adding: "There's no change in the government's plan to work out the final report as scheduled, and the government would like to continue its (consensus-building) efforts for public understanding as well as the local communities' understanding."

The municipal government of Iwakuni city will poll its residents on whether or not to accept the planned redeployment of carrier-borne fighter planes to the Iwakuni base from the US Navy's Atsugi base, which is located in the city of Yamato and some other municipalities in Kanagawa Prefecture. This redeployment plan is a centerpiece of the US military realignment, as well as the agreed relocation of Futenma airfield's heliport functions in Okinawa Prefecture. If this should fail, the interim report

released in October last year could completely run up on the rocks. The referendum is not legally binding, so the government is poised to continue working on the realignment irrespective of its outcome. Concerning the plebiscite, the government takes the position that there is "no choice but to wait and see its results."

However, in case the redeployment is voted down by a majority of residents, the government would be hard hit by the local backlash

should it carry out the redeployment. Such a situation could spread its repercussions to other base-hosting municipalities. The government and the ruling Liberal Democratic Party do not want Iwakuni city to go ahead with polling. In 1997, the city of Nago in Okinawa Prefecture polled its residents over Futenma relocation to the city. In that referendum, the Futenma relocation was voted down. The then mayor of Nago city, Tetsuya Higa, clarified his acceptance of the base in exchange for his own resignation. The Futenma relocation has yet to be carried out. The referendum divided the city's population over the Futenma issue. "That's the cause of the confrontation we saw after that," a government official said.

Iwakuni city and seven other neighboring municipalities, including towns and villages, will be consolidated into a new city on March 30. The new city will elect its mayor in late April. "I guess the incumbent mayor wanted to make an appeal on his stance of listening to the voices of residents for election campaigning to his advantage," a Defense Agency source said.

The Defense Agency's Defense Policy Bureau director general and the DFAA's deputy director general will visit Okinawa Prefecture today and will meet with the prefectural government's senior officials. The two agencies will enter into full-fledged coordination with local governments and communities for this March's final report. However, Defense Agency Director General Nukaga and DFAA Director General Iwao Kitahara have been tied up with their accountabilities for the bid-rigging scandal in the Diet.

The government plans to build a Futenma alternative in the city of Nago, where Yoshikazu Shimabukuro, newly elected in the city's recent mayoral election, will assume office as mayor on Feb. 8. Kitahara had a plan to visit Nago around that time. However, he is now unable to do so. "We can't send anyone ranked below him," a senior DFAA official said.

The Defense Agency yesterday announced its first ever and unprecedented appointment of a career track official to the post of DFAA technical councillor as the successor to the arrested incumbent. The agency currently cannot afford to give detailed directions for local coordination over the US military realignment because it is now being tasked with preventing such bid-rigging and finding facts about the scandal, according to an agency official. One DFAA local bureau official sighed, "We also came under severe criticism due to the bid-rigging scandal, so it's hard to carry out local coordination."

9) Tokyo Gov. Ishihara calls for severe punishment of hit-and-run US sailor

TOKYO SHIMBUN (Page 26) (Full)
February 3, 2006

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A 23-year-old female sailor stationed at US Atsugi Naval Air Station was arrested on suspicion of violating the Road Traffic Law and her case has been sent to prosecutors. The sailor drove away after hitting three elementary school boys with an official vehicle. With this regard, Tokyo Gov. Shintaro Ishihara mailed yesterday letters to the US Naval Forces Japan commander and to the Tokyo Regional Defense Facilities Administration Bureau director general calling for measures to prevent a recurrence and a severe punishment to be imposed on the sailor.

According to the Metropolitan government, the governor asked US Naval Forces Japan Commander James Kelly to take measures to prevent a recurrence and to severely punish the sailor. He called on Tokyo Defense Facilities Administration Director General Takenori Yokoyama to provide information more quickly (on such cases) to the Metropolitan government.

10) Advisory council proposes to increase opportunities for suspects in custody to see lawyers and keep substitute prison system

YOMIURI (Page 2) (Excerpts)
February 3, 2006

As a result of discussions on revisions to the law on the detention of criminal defendants in criminal institutions that stipulate how to treat suspects in custody and defendants (whose cases have yet to be concluded), the advisory council yesterday put together a set of proposals and submitted it to the Justice Ministry and the National Police Agency (NPA). The proposals indicate the need to increase opportunities for suspects and defendants to contact their lawyers by phone or fax and to keep the substitute prison system in place. These two government offices will pursue the incorporation of the proposed treatment for detainees whose cases have yet to be concluded into the law on treatment of inmates in criminal institutions. They plan to submit a bill to revise the law to the current Diet session.

On phone interviews by lawyers, the proposals point out the need to allow exchanges by phone, giving due consideration to the present environment of telecommunications. They also state that it will be appropriate for lawyers to visit the Public Prosecutors Office or police stations and after identifying themselves there, to telephone detainees from there. On fax, the proposals advise the Justice Ministry and the NPA to discuss the use of fax in the direction of allowing it.

On the substitute prison system over which the Justice Ministry and the NPA have long been at odds with the Japan Federation of Bar Associations, the proposals indicate the need to keep the system on the condition of improving the legislation this time, adding that it is imperative to discuss the way of investigations, including questioning, and the existence of the substitute prison system in the future. Moreover, they point out the need to legislate against police officers who investigate temporary detainees yet to be sentenced engaging in the work of detainment.

11) SDP's draft declaration regards SDF as unconstitutional, noting, "They depart from purview of self-defense"; Unrealistic stance likely to come under fire

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YOMIURI (Page 4) (Excerpts)
February 3, 2006

The Social Democratic Party (SDP) in its executive meeting yesterday gave approval to a draft declaration calling the Self-Defense Forces (SDF) "clearly unconstitutional." In 1994, the party shifted its previous position to regard the SDF as constitutional, but now it has shifted back to the original stance that looked on the SDF as unconstitutional. This shift is apparently intended to highlight the party's stance of giving priority to peace, the aim being to broaden the party's appeal. But this sudden turnaround in its basic policy is meeting a cold response.

Defining the SDF as unconstitutional, the draft declaration states the party aims to downsize the forces, reorganize and the dissolve them into duty-by-duty teams, for instance, one for border security, one for disaster relief and one for international cooperation. This declaration will be formally adopted at the party's convention slated for Feb. 11-12.

There was reportedly a strong objection among senior party members who were concerned about a possible conflict of opinion about treating the SDF in that way in the declaration. But at panel discussions held at 11 blocs across the country and in other fora, many local chapter members insisted that the SDF should be specified as unconstitutional. Given this, the party decided to turn around its position.

Party President Fukushima firmly told reporters yesterday: "This shift isn't meant to question former Prime Minister Murayama's decision. It does not mean we have changed our policy."

12) Arrest of lawmaker Kimata dampens Minshuto's enthusiasm to attack government, ruling camp at Diet

TOKYO SHIMBUN (Page 2) (Slightly abridged)
February 3, 2006

Because Yoshitake Kimata, a House of Representatives member belonging to Minshuto (Democratic Party of Japan), has admitted injuring a woman, the police turned his case over to prosecutors yesterday. The main opposition party has lost its momentum of pursuing the government and ruling coalition in a debate at the Diet due to the arrest of Kimata, who is the third Minshuto member to be arrested since last year.

"The incident occurred when the approval rating for Minshuto was increasing and the party was banding together," said a senior party member with a deeply troubled look last night.

The opposition has no lack of means of pursuing the government and ruling camp at the ongoing regular Diet session since a bid-rigging scandal involving the Defense Facilities Administration Agency has now been added to the US beef import issue, the earthquake-proof data falsification scam, and the Livedoor scandal. Public support rating for the party was finally rising. Under such circumstances, Kimata's case came up.

Although the woman suffered minor injuries and withdrew a complaint filed with police, the incident has had a major impact

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on Minshuto.

In the largest opposition party, Kimata is the third person to be recently arrested, following former Lower House member Keiji Kobayashi for possessing methamphetamines and Lower House member Shingo Nishimura for violation of the organized crime control law. Minshuto's effort to revitalize itself received a setback in each case. The party leadership has strengthened internal discipline, but scandals involving party members continue.

Secretary General Yukio Hatoyama said yesterday, "Of course, the

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party executives feel responsibility."

13) US meat processing facility not observing safety procedures:
Minshuto lawmaker

YOMIURI (Page 4) (Full)
February 3, 2006

Minshuto (Democratic Party of Japan) lawmaker Kenji Muraoka, who led a fact-finding mission to the United States from the party's task force on BSE countermeasures, stated yesterday at a news conference at party headquarters: "We confirmed that Japan's safety criteria were not being observed." The survey mission toured meat-processing facilities, but he said that such procedures as the removal of specified risk materials were insufficient.

14) Another violation of decision by cabinet meeting found in procedures for compiling BSE prevention measures?: No public comment asked for

TOKYO SHIMBUN (Page 2) (Full)
February 3, 2006

The Cabinet Office's Prion Expert Council in Sept. 2004 compiled an interim report that probed into domestic BSE prevention measures. It was learned yesterday that in compiling this report, the government did not ask for public comment, a practice that was essentially obligated at a cabinet meeting held to discuss the propriety of US beef import resumption. Mitsuru Sakurai of the Democratic Party of Japan (DPJ = Minshuto) pointed this out at the Upper House Budget Committee session in the Diet.

The interim report approved the exemption of young cows aged up to 20 months from blanket inspection. The report has raised questions that it was a "an extremely dubious political paper" intended to lead to the resumption of US beef imports, as Sakurai put it.

It has already been found that the government had decided to resume US beef imports without carrying out local inspections in the US, contrary to the cabinet decision to do so. A series of procedures, which could have been taken, based on the foregone conclusion that imports were to be resumed, contrary to the cabinet decision, will likely draw further criticism.

During the session, Sakurai pursued the responsibility of State Minister in charge of Food Safety Iwao Matsuda. He also made an issue over the fact that the Food Safety Commission's administrative office did not explain the need for public comment to its chairman.

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In response, Matsuda indicated his perception that there was no problem about the procedures, noting: "We heard the views of the people on such occasions as opinion exchange meetings. Our procedures were not contrary to the intent of the cabinet meeting." Matsuda, however, reluctantly apologized for the administrative office's failure to explain the need to ask for public comment to the chairman, saying, "I now think we should have explained the matter to the chairman."

The deliberations were frequently suspended, because Matsuda's account did not convince Sakurai. They were on different tracks until the end.

15) Second ban on US beef import by Japan: Washington relieved Asian countries are not following suit; South Korea taking wait-and-see attitude

NIHON KEIZAI (Page 5) (Full)
February 3, 2006

Following the removal of a ban on US beef imports by Japan, South Korea and Singapore also decided to restart beef trade with the US late last year or later. These countries are now taking a wait-and-see attitude toward the second ban by Japan. Washington feels relieved at their stance. Taiwan announced its decision to resume US beef imports on Jan. 25, which was after Japan decided to re-impose the embargo. Japan's decision is now unlikely to spread to Asia.

Singapore and South Korea, which also had imposed an embargo on US beef imports because of the discovery of the first BSE case in the US, decided to lift the ban, following the import resumption by Japan last December.

The two countries have not changed their decision even after the revelation of a violation of import conditions in Japan. One reason for Asian countries not following Japan's move is that they have different guidelines for the resumption of US beef imports. The Japanese guidelines set a strict age regulation that allows imports of beef only from cattle aged up to 20 months, but at the same time they allow imports of beef with bones, provided that specified risk materials (SRM), such as brains and spinal cords, are removed.

The age criterion adopted by South Korea and Taiwan is less strict. They allow imports of beef from cattle up to 30 months of age. They, however, do not approve imports of beef with bones. The case of the Japan-bound veal shipment that included spinal columns or backbones will unlikely happen in South Korea or Taiwan-bound shipments, because they do not allow imports of beef with bones.

The US government intends to make all-out efforts to resume Japan-bound exports. Chances are, however, if it takes time to do so,

the US might increase pressure on Japan, arguing that Japan is the only country in Asia that has banned US beef imports.

16) Bill to scrap Byrd Amendment gets through US House of Representatives

ASAHI (Page 12) (Full)

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February 3, 2006

Yuichi Ojin, Washington

The US House of Representatives on Feb. 1 adopted a bill that includes a measure to scrap the Byrd Amendment, which the World Trade Organization (WTO) judged as a violation of the WTO agreement. The Senate has already endorsed it, and the bill will be enacted with the signature of President Bush. The repeal of the antidumping law will go into effect in October 2007.

The Byrd Amendment allows domestic industries to share antidumping tariffs collected by Washington to help offset damage incurred from cheap imports. Japan and the European Union (EU) filed complaints with the WTO against the US antidumping law. Although the WTO ruled it as a breach of the agreement, the US has kept it in place. In reaction, Japan and other countries have slapped retaliatory tariffs on products imported from the US.

Based on the Byrd Amendment, which was enforced in 2000, 1.3 billion dollars has been distributed to steel, bearing and other industries in the US since 2001. Following the WTO ruling against the controversial antidumping law in January 2003, the US government announced it would repeal it at an early date. But the US failed to abolish it by the end of 2003 - the deadline set by the WTO, because the Congress was slow to move in the face of strong reactions from industries benefiting from the law.

17) Dissatisfied with delayed abolition of Byrd Amendment, METI to continue retaliatory tariffs on US products

ASAHI (Page 12) (Full)

February 3, 2006

Officials in the Ministry of Economy, Trade and Industry (METI) have praised Washington's decision to abolish the Byrd Amendment, but they have also expressed dissatisfaction at the delay in repealing the law. The WTO had set the deadline for the US to abolish the Byrd Amendment at the end of 2003, but the US plans to keep it in place until October 2007. METI intends to continue its current retaliatory measure against US products until the law is finally ended.

The Japanese government slapped retaliatory tariffs for the first time in September 2005. It has imposed a 15% additional tariff on 15 imports from the US, including steel, bearing, and industrial trucks.

When the US Senate adopted a bill for repealing the Byrd Amendment last December, METI Minister Nikai asked the US Trade Representatives (USTR) to scrap the law at an early date, saying, "Once the bill is enacted into law, we want you to immediately repeal the law."

The Japan Iron and Steel Federation and other industries in Japan have voiced objections to the Byrd Amendment. Of exports to the US, however, the percentage of steel products has dropped, as seen from the decrease from 7.2% in fiscal 2000 to 4% in fiscal 2004. Given this, a spokesman of a leading steel firm said: "Abolishing the law will have little effect on our business."

18) Government to open grant ODA projects to foreign companies in

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FY2006 in order to cut project costs

The government will allow foreign companies to participate from fiscal 2006 in bidding on grant aid projects, including infrastructure development, which is part of its official development assistance (ODA) program. So far, only Japanese firms are allowed to take part in competitive bidding for grant projects. With the ODA budget on the decline, the government aims to secure more projects by curbing the unit cost of each project.

The government has estimated that if it allows foreign companies, which have know-how about securing materials and a work force in aid-recipient countries, it will be able to cut costs by about 30%, compared with that by Japanese firms.

In fiscal 2006, foreign companies will be allowed to join bidding on about 10 projects - the construction of elementary and junior-high schools and health clinics in Africa and 4 billion yen will be offered for the projects. The government will strictly evaluate the foreign companies when they apply for competitive bidding so that it can prevent fraudulence, such as slipshod work.

The ODA budget for fiscal 2006 totals 759.7 billion yen, a 3.4% drop from the FY 2005's. Of the 759.7 billion yen, 168.2 billion yen will be spent for grant aid projects, a 4.7% drop from the previous year's amount, which is higher than the reduction rate of the entire ODA budget.

Grant aid is used selectively for urgent humanitarian assistance such as assistance for victims of disasters.

SCHIEFFER